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Timothy Bridges
Managing Director
Global Head of Accounting Policy

March 1, 2016

Mr. Russell G. Golden
FASB Chairman
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 2015-350 - Proposed Accounting Standards Update: Fair Value Measurement (Topic 820) Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement (File Ref No. 2015-350)

Dear Mr. Golden:

Goldman Sachs appreciates the opportunity to provide comments on the Financial Accounting Standards Board's (the "Board") proposed Accounting Standards Update, "Changes to the Disclosure Requirements for Fair Value Measurement" (the "Proposed ASU"). As a global financial institution, fair value measurement is fundamental to our risk management practices as we measure substantially all of our financial instruments at fair value or amounts that approximate fair value. We believe the years of practical experience using fair value as the core to our internal and external reporting gives us a deep understanding of the information stakeholders require to understand the fair value measurements included in our financial results.

We support the comments made in the letter submitted by the Global Financial Institutions Accounting Committee of the Securities Industry and Financial Markets Association commenting on this Proposed ASU, and participated in the development of those comments. Therefore, we limited our comments to those matters we wish to emphasize.

Disclosing Unrealized Gains/Losses

We strongly disagree with the Board's decision to expand disclosure on unrealized gains/losses to level 1 and level 2 of the fair value hierarchy. Fair value measurements and the related changes in fair value are used by our management every day to understand the risks of our many individual financial instruments measured at fair value. However, in our risk management processes, we do not differentiate between realized and unrealized gains or losses because fair value measurements are recognized in earnings regardless of whether they are "realized" or not. Rather, we focus on understanding the significant inputs used to value the financial instruments and the related valuation techniques, which ultimately drive the impact on earnings.

As described in the basis to conclusions, paragraph BC20 –BC22, the Board decided to add this disclosure because users believe it will be 1) decision-useful and 2) provide information about the volatility of fair value measurements. We strongly disagree for the following reasons:

- We do not believe the disclosure of “unrealized” gains/losses will provide decision-useful information for fair value instruments valued based on observable inputs. Unrealized gains or losses is a function of whether cash moved in the current quarter and provides little information about the timing of future cash flows or the risk of a position. Cash movements during the life of a trade can be quite arbitrary for certain products and markets, and therefore, are not indicative of valuation risk. For example, whether a derivative is a “cleared” trade or a bilateral contract (OTC) can determine whether cash flows are settled periodically during the life of the contract or at its maturity. Further, derivative contracts are generally cash collateralized. Whether cash moved in a derivative pursuant to the terms of the derivative contract or under a separate collateral agreement will determine whether the position generates realized or unrealized gains or losses but the economic risk is the same in either case.

- We disagree with the view described by the Board in paragraph BC20 that disclosing the change in unrealized gains or losses for the period will provide information about the volatility in fair value measurements for positions valued based on observable inputs given the certainty of the fair value measurements. Further, disclosing unrealized gains or losses will also not provide relevant information about future volatility in earnings. For positions valued based on observable inputs, volatility in earnings is primarily a function of portfolio turnover and hedging strategies. Disclosing unrealized gains/losses disaggregated by level of the fair value hierarchy can be misleading because economic hedges are frequently executed through instruments categorized in a different level of the fair value hierarchy than the hedged instrument. By way of example, a rolling level 1 position that is settled in a reporting period and “realized,” can be hedged with a level 2 position that is settled in a different reporting period. In our view, volatility in observable or unobservable inputs is best described through a robust qualitative discussion around market movements and how observability was affected by these market movements rather than an aggregated total of “unrealized” gains/losses.

We also disagree with the Board’s conclusion that the costs for implementing the proposed disclosure of unrealized gains or losses for level 1 and level 2 of the fair value hierarchy will not be significant. As a Bank Holding Company with global broker-dealer subsidiaries, we have a significant volume of transactions traded each day that are categorized in level 1 and level 2 of the fair value hierarchy. We note that while our level 3 instruments are made up of many thousands of positions, they are a small subset of our financial instruments at fair value (generally less than 5%) and by their nature, turn over less frequently. Therefore the processes used for the existing disclosure of unrealized gains/losses of level 3 positions cannot easily be extended to our level 1 and level 2 portfolios. We will require significantly more resources to report this information for level 1 and level 2 positions given the increased volume of activity and positions at a reporting date. Further, a significant component of the operational burden of identifying unrealized gains or losses sits within our derivative portfolio positions as there is no systemic concept of "cost basis" for derivatives. Accordingly, disclosing this information for level 1 and level 2 is not currently supportable.

For these reasons, we estimate we would need at least two years to build the infrastructure needed to implement the proposed disclosure and the implementation would result in significant costs. Since this information is not needed for risk management purposes and does not influence our decision making process, these efforts and the associated significant costs would be solely to satisfy this requirement.

Review of the Proposed Concepts Statement on the Disclosure Framework

The objective of issuing the Proposed ASU was to test the guidance of the proposed Concepts Statement on the Disclosure Framework (the "Concepts Statement") which provides a framework to promote consistent decisions around disclosures. We support this objective. However, we found the application of the framework to fair value measurement disclosures to be an imprecise exercise. For example, there were instances in the Proposed ASU where a disclosure was not required when evaluated against the framework but the Board decided to require a disclosure based on requests from a limited set of users. There were also instances, as described below, where we would have reached a different conclusion on whether a disclosure was required within the framework.

In applying the Concepts Statement, the Board concluded that a disclosure of unrealized gains or losses for financial instruments at fair value would provide information on the relationship between financial statement line items that is not otherwise apparent. We strongly disagree with this conclusion. Changes in fair value measurements are recognized in earnings whether realized or unrealized. Therefore, we believe it is clear to users how earnings relate to the balance sheet and other financial statements. We observe that it would be unusual to require disclosure of the non-cash movements, that is, the "unrealized" 'component' of an accrual based accounting metric to better understand the relationship between the line items in the financial statements. We do not believe balance sheet items measured at fair value warrant a different treatment, especially for financial instruments measured based on observable inputs.

Two years ago, the Financial Accounting Foundation completed a Post-Implementation Review (PIR) of the fair value measurement standard and concluded that the disclosures around fair value measurements generally met the needs of investors. In particular, there is no mention in the PIR report that investors were asking for the proposed incremental disclosure of unrealized gains or losses for financial instruments measured based on observable inputs. Rather, the PIR concluded that understanding significant inputs is most decision-useful to users of financial statements when analyzing how fair value measurements affect earnings. Further, the PIR acknowledged the significant costs to preparing the current fair value measurement disclosures. As we have further described above, we expect to incur significant costs to implement the proposed incremental disclosures. Therefore, it is unclear to us whether the proposed Concepts Statement is working as intended.

For all the reasons described above, we ask the Board to not move forward with the proposed incremental disclosure of unrealized gains or losses for level 1 and level 2 positions. We also ask the Board to wait to finalize this Proposed ASU until the broader project on the proposed Concepts Statement is completed.

Thank you for the opportunity to provide our views. If you have any questions regarding this letter, please do not hesitate to contact me at 212-902-7052.

Sincerely,

/s/ Timothy Bridges